Best Available Copy

Our Ref: CSA/CPA6/5(e)

Cathay Pacific Airways Limited Company Secretary's Department 35th Floor, Two Pacific Place 88 Queensway, Hong Kong

I CATHAY PACIFIC

Telephone: (852) 2840 8869 Facsimile: (852) 2845 5445 www.cathaypacific.com

8th March 2007

By Registered Airmail

Securities and Exchange Commission Office of International Corporate Finance Division of Corporation Finance 450 Fifth Street, N.W. Washington, DC 20549 U.S.A.



SUPPL

Dear Sirs/Madam,

Cathay Pacific Airways Limited: File No. 82-1390

Pursuant to Cathay Pacific Airways Limited's ("the Company") obligation under Rule 12g3-2(b) of the Securities and Exchange Act of 1934, we are pleased to enclose the following documents of the Company for your record:

- 2006 Annual Results Announcement; and
- Press Release. (2)

We also enclose herewith a copy of the Company's press announcement published today in The Standard for your record.

> Yours faithfully, For CATHAY PACIFIC AIRWAYS LIMITED

MAR 1 6 2007

David Fu Company Secretary

THOMSON FINANCIAL

Judy Kang, ADR Relationship Management - Asia/Pacific, The Bank of New c.c.: York (w/e, by e-mail: judykang@bankofny.com)

Ms. Irene Fung, Vice President, The Bank of New York, H.K. (w/e, by hand)



CALITAL FACILIO

CATHAY PACIFIC AIRWAYS LIMITED

(Incorporated in Hong Kong with limited liability) (Stock Code: 00293)

2006 Annual Results

Financial and Operating Highlights

Group Financial Statistics

| Results | | 2006 | 2005 | Change |
|--|--------------|--------|--------|------------|
| Turnover | HK\$ million | 60,783 | 50,909 | +19.4% |
| Profit attributable to Cathay Pacific shareholders | HK\$ million | 4,088 | 3,298 | +24.0% |
| Earnings per share | HK cents | 115.9 | 97.7 | +18.6% |
| Dividend per share | HK cents | 84.0 | 48.0 | +75.0% |
| Profit margin | % | 8.0 | 7.4 | +0.6%pt |
| Balance Sheet | | | | <u>.</u> , |
| Funds attributable to Cathay Pacific shareholders | HK\$ million | 45,554 | 34,968 | +30.3% |
| Net borrowings | HK\$ million | 16,348 | 9,050 | +80.6% |
| Shareholders' funds per share | HK\$ | 11.6 | 10.3 | +12.6% |
| Net debt/equity ratio | Times | 0.36 | 0.26 | +0.1 times |

Operating Statistics

| · | | Cathay Pacific and Dragonair * | | Cathay Paci | |
|------------------------------------|---------------|--------------------------------|--------|-------------|---------|
| | | 2006 | 2006 | 2005 | Change |
| Available tonne kilometres ("ATK") | Million | 19,684 | 18,866 | 17,751 | +6.3% |
| Passengers carried | 1000 | 18,097 | 16,728 | 15,438 | +8.4% |
| Passenger load factor | % | 79.5 | 79.9 | 78.7 | +1.2%pt |
| Passenger yield | HK cents | 48.0 | 47.0 | 46.3 | +1.5% |
| Cargo carried | '000 tonnes | 1,308 | 1,199 | 1,118 | +7.2% |
| Cargo and mail load factor | % | 68.6 | 68.3 | 67.0 | +1.3%pt |
| Cargo and mail yield | HK\$ | 1.70 | 1.69 | 1.75 | -3.4% |
| Cost per ATK | HK\$ | 2.23 | 2.21 | 2.19 | +0.9% |
| Cost per ATK without fuel | HK\$ | 1.57 | 1.53 | 1.55 | -1.3% |
| Aircraft utilisation | Hours per day | 12.5 | 12.8 | 12.6 | +1.6% |
| On-time performance | % | 85.2 | 85.9 | 86.1 | -0.2%pt |

^{*} Consolidated operating statistics includes Dragonair's operation from 1st October 2006.

Capacity, load factor and yield - Cathay Pacific

| | | Capacity | , | | | | |
|-------------------------------------|------------------|----------|------------------------------|------|-----------------------------------|---------|--------|
| | ASK/ATK (million | | K (million)* Load factor (%) | | ASK/ATK (million)* Load factor (% | | Yield |
| | 2006 | 2005 | Change | 2006 | 2005 | Change | Change |
| Passenger services | | | | | | | |
| North Asia | 13,796 | 13,057 | +5.7% | 72.3 | 70.8 | +1.5%pt | -3.3% |
| South West Pacific and South Africa | 14,230 | 14,656 | -2.9% | 80.1 | 74.6 | +5.5%pt | +2.0% |
| South East Asia and Middle East | 18,375 | 17,376 | +5.7% | 76.1 | 75.0 | +1.1%pt | +5.0% |
| Europe | 18,884 | 16,181 | +16.7% | 84.2 | 87.3 | -3.1%pt | -0.2% |
| North America | 23,833 | 21,496 | +10.9% | 83.5 | 82.7 | +0.8%pt | +5.3% |
| Overall | 89,118 | 82,766 | +7.7% | 79.9 | 78.7 | +1.2%pt | +1.5% |
| Cargo services | 10,391 | 9,879 | +5.2% | 68.3 | 67.0 | +1.3%pt | -3.4% |

^{*} Capacity is measured in available seat kilometres ("ASK") for passenger services and available tonne kilometres ("ATK") for cargo services.

Passenger services

North Asia

- The addition of a fifth daily flight to Seoul in January generated a growth in outbound traffic from Korea. The country remains popular as a leisure destination for Hong Kong travellers.
- We increased our presence in Mainland China by adding a new daily service to Shanghai in December.
- A new codeshare arrangement with Dragonair applying on flights to Beijing, Shanghai, Xiamen and Tokyo in North Asia – was introduced in December, giving customers more choice and greater flexibility.
- We also codeshare with Dragonair on its new service to Busan, Korea's second city, which was launched
 in January 2007.
- Our performance in the Japan market remained steady, with some growth in the number of tourists flying to Hong Kong.
- We enjoyed high load factors to Taiwan throughout 2006, although strong competition had a negative impact on yield.

South West Pacific and South Africa

- Two new flights a week were added to Adelaide in June, bolstering our presence in South Australia.
- The Auckland service went twice-daily for the winter schedule, helping to match seasonal demand.
- Closer economic ties between South Africa and Mainland China boosted demand on our Johannesburg service, while strong corporate traffic boosted yield on the route.

South East Asia and Middle East

- In April, we began three direct flights to Penang each week instead of routing all flights through Kuala Lumpur. The change proved popular with leisure travellers.
- Passenger traffic to and from the Philippines was strong throughout the year, with a number of extra
 flights mounted to Cebu to meet high demand.
- Strong competition continues to impact our Singapore business, though demand remains high and we have seen some yield improvement.

CALDAL PACIFIC

Europe

- Demand remained high from business travellers on the London route. However increased competition
 put pressure on the economy class load factor and yield.
- We added three flights to Frankfurt, making it a 10-times-a-week service, and turned Rome into a daily service with two more flights a week.

North America

- We increased our capacity to North America by 10.9% in 2006. Load factors were not particularly high but yields improved on all routes.
- Demand was strong in the premium cabins to all North American destinations.
- The introduction of new Boeing 777-300ER aircraft from September 2007 will allow more direct services on ultra long haul North American flights with an increased payload.

Cargo services

- Two additional Boeing 747-400BCFs, Boeing Converted Freighters, were added to the fleet. At the end
 of 2006 we operated a fleet of seven Boeing 747-200Fs, six Boeing 747-400Fs and three Boeing 747400BCFs.
- The airline will take delivery of three more Boeing 747-400BCFs in 2007 and has exercised options to convert two more aircraft for delivery in 2008 and 2009. The airline has options on four more conversions.
- In addition, the airline has ordered six Boeing 747-400ERFs for delivery in 2008 and 2009.
- New freighter services were launched to Beijing, Chennai, Stockholm and Toronto, bringing the total number of freighter destinations to 31.
- High fuel prices had a negative effect on the profitability of our older Boeing 747-200F freighter fleet. The adverse impact of high fuel prices was only partially offset by fuel surcharges.
- The Centre for Asia Pacific Aviation named Cathay Pacific as its "Cargo Airline of the Year" for having the most impact on the development of the region's air cargo industry.

Chairman's Letter

The Cathay Pacific Group recorded a profit attributable to shareholders of HK\$4,088 million for 2006, compared with a profit of HK\$3,298 million the previous year. Turnover increased by 19.4% to a new record of HK\$60,783 million.

Record passenger numbers and freight volumes contributed to the increase in turnover in 2006, which in turn helped us to a 24.0% increase in profit over the previous year. However continuing high fuel prices served to dampen the final result. Prices eased a little in the latter part of the year but our total fuel bill was HK\$20,214 million – up 29.7% on 2005. Fuel surcharges only partially offset the additional cost.

A continuing improvement in productivity coupled with a reduction in controllable costs helped the airline reduce its unit cost excluding fuel by 1.3%.

On the passenger side, the airline's revenue increased by 10.9% to a record HK\$33,585 million as the number of passengers carried rose to 16.7 million for the year. Demand from first and business class passengers was high throughout the year, helping yield to increase by 1.5% to HK¢47.0. Additional services on a number of routes contributed to a 7.7% rise in passenger capacity.

The airline set new records for its cargo operation, with the tonnage carried rising by 7.2% to 1,199,000 tonnes and revenue reaching a high of HK\$11,980 million. Capacity rose by 5.2% with four new freighter destinations added during the year – Beijing, Chennai, Stockholm and Toronto – and extra flights to Dallas/Atlanta and Shanghai being mounted. Demand remained high out of Hong Kong and Mainland China throughout the year but weakening demand in a number of key markets contributed to a 3.4% fall in yield.

2006 was a landmark year for Cathay Pacific in many ways. The airline received another "Airline of the Year 2006" award – from leading industry journal Air Transport World – in February, and then in August took delivery of its 100th aircraft, an Airbus A330-300. Throughout the year we ran a number of events and activities to celebrate our 60th anniversary as Hong Kong's airline.

However, the most significant development took place on 28th September when formal approval of a historic shareholding realignment was received and Dragonair joined the Cathay Pacific Group as a wholly owned subsidiary. The integration of the two carriers will bring significant benefits for passengers aviation hub. As part of the realignment, Cathay Pacific and Air China increased their cross-shareholdings and began work on further enhancing their partnership in a number of areas.

We continued to grow the three fleets in the Group in 2006, adding six aircraft at Cathay Pacific and four at Dragonair, while AHK took delivery of two more freighters. In June we confirmed an order for six new Boeing 747-400ERFs, Extended Range Freighters, for the Cathay Pacific fleet which, with their longer range and higher payload, will be key to our success on long haut trunk routes once deliveries commence in May 2008. We also took up two more options on the new Boeing 777-300ER, Extended Range passenger aircraft, taking the total order to 18. These aircraft will begin arriving in September 2007.

Our commitment to product and service excellence remains as high as ever and in September we unveiled Cathay Pacific's new long haul product that will be rolled out across all three classes of travel over the next two years. The new product will help us retain our leadership in comfort and service.

We expect competition to remain keen in 2007 and the high, volatile fuel price will continue to have a major impact on our business. Our focus in the coming year is to continue our efforts to deliver superior service and to grow our operations profitably and thus further strengthen Hong Kong's position as a global aviation hub. We will work to optimize the significant commercial opportunity provided by our purchase of Dragonair.

Christopher Pratt

Chairman Hong Kong, 7th March 2007

Consolidated Profit and Loss Account for the year ended 31st December 2006

| | | 2006 | 2005 |
|--|--------------|----------|----------|
| | Note | HK\$M | HK\$M |
| Turnover | | | |
| Passenger services | | 35,155 | 30,274 |
| Cargo services | | 14,251 | 12,852 |
| Catering, recoveries and other services | | 11,377 | 7,783 |
| Total turnover | 2 | 60,783 | 50,909 |
| Expenses | | | |
| Staff | | (9,950) | (9,025) |
| Inflight service and passenger expenses | | (2,347) | (2,033) |
| Landing, parking and route expenses | | (8,066) | (6,947) |
| Fuel | | (20,214) | (15,588) |
| Aircraft maintenance | | (5,330) | (4,527) |
| Aircraft depreciation and operating leases | | (5,283) | (4,893) |
| Other depreciation and operating leases | | (862) | (790) |
| Commissions | | (668) | (555) |
| Others | | (2,845) | (2,408) |
| Operating expenses | | (55,565) | (46,766) |
| Operating profit | 3 | 5,218 | 4,143 |
| Finance charges | | (1,818) | (1,605) |
| Finance income | | 1,353 | 1,161 |
| Net finance charges | | (465) | (444) |
| Share of profits of associates | | 301 | 269 |
| Profit before tax | | 5,054 | 3,968 |
| Taxation | 4 | (782) | (500) |
| Profit for the year | | 4,272 | 3,468 |
| Profit attributable to | - | | |
| Cathay Pacific shareholders | | 4,088 | 3,298 |
| Minority interests | | 184 | 170 |
| | | 4,272 | 3,468 |
| Dividends | <u> </u> | | |
| Interim – paid | 5 | 786 | 676 |
| Special – paid | 5 | 1,259 | - |
| Final – proposed | 5 | 1,259 | 947 |
| , man propose | | 3,304 | 1,623 |
| Earnings per share | | HK¢ | HK¢ |
| Basic | 6 | 115.9 | 97.7 |
| Diluted | 6 | 115.7 | 97.4 |
| DE LINE CO. AL | · - | HK\$ | HK\$ |
| Shareholders' fund per share | | 11.6 | 10.3 |

CATHAY PACIFIC ·

Consolidated Balance Sheet at 31st December 2006

| ASSETS AND LIABILITIES | Note | | HK SM |
|---|---------------------------------------|----------|----------|
| | | HK\$M | HK\$M |
| Non-current assets and liabilities | | | |
| Fixed assets | | 58,086 | 50,156 |
| Intangible assets | | 7,473 | 260 |
| Investments in associates | | 8,966 | 1,731 |
| Other long-term receivables and investments | | 3,406 | 5,453 |
| | <u> </u> | 77,931 | 57,600 |
| Long-term liabilities | | (33,956) | (27,745) |
| Related pledged security deposits | | 8,164 | 8,853 |
| Net long-term liabilities | | (25,792) | (18,892) |
| Retirement benefit obligations | | (170) | (72) |
| Deferred taxation | | (6,600) | (6,460) |
| | | (32,562) | (25,424) |
| Net non-current assets | | 45,369 | 32,176 |
| Current assets and liabilities | · · · · · · · · · · · · · · · · · · · | | |
| Stock | | 800 | 657 |
| Trade and other receivables | 7 | 8,735 | 6,538 |
| Liquid funds | | 15,624 | 13,459 |
| Enquire narras | | 25,159 | 20,654 |
| Current portion of long-term liabilities | · | (7,503) | (4,849) |
| Related pledged security deposits | | 1,352 | 1,286 |
| Net current portion of long-term liabilities | | (6,151) | (3,563) |
| Trade and other payables | 8 | (11,098) | (7,625) |
| Unearned transportation revenue | • | (4,671) | (3,864) |
| Taxation | • | (2,902) | (2,527) |
| Tundion | | (24,822) | (17,579) |
| Net current assets | | 337 | 3,075 |
| Net assets | , | 45,706 | 35,251 |
| Ivet dasers | | <u></u> | |
| CAPITAL AND RESERVES | | | |
| Share capital | | 787 | 676 |
| Reserves | | 44,767 | 34,292 |
| Funds attributable to Cathay Pacific shareholders | | 45,554 | 34,968 |
| Minority interests | | 152 | 283 |
| Total equity | | 45,706 | 35,251 |

Notes:

1. Basis of preparation and accounting policies

The accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which include all applicable Hong Kong Accounting Standards, Hong Kong Financial Reporting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants. These accounts also comply with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Tumover

Turnover comprises revenue from transportation services, airline catering, recoveries and other services provided to third parties.

(a) Primary reporting by geographical segment

| 2006 | 2005 |
|--------|--|
| HK\$M | HK\$M |
| | |
| | |
| 24,855 | 20,256 |
| 9,757 | 8,432 |
| 4,015 | 3,747 |
| 7,019 | 5,870 |
| 7,016 | 6,150 |
| 8,121 | 6,454 |
| 60,783 | 50,909 |
| | HK\$M 24,855 9,757 4,015 7,019 7,016 8,121 |

Countries included in each region are defined in the 2006 annual report. Geographical and business segment results and segment net assets are not disclosed for the reasons set out in the 2006 annual report.

(b) Secondary reporting by business segment

| 2006 | 2005 |
|--------|--------|
| HK\$M | HK\$M |
| | |
| 35,155 | 30,274 |
| 14,251 | 12,852 |
| 49,406 | 43,126 |
| | |
| 11,377 | 7,783 |
| 60,783 | 50,909 |
| | 60,783 |

The Group is engaged in two main business segments: in passenger business and in freight traffic through the Company and two subsidiaries. Catering services, recoveries and other airline supporting services which supplement the Group's main operating business are included in unallocated revenue.

Analysis of net assets by business segment is not disclosed for the reasons set out in the 2006 annual report.

3. Operating profit

| 2006 | 2005 |
|-------|---|
| нк\$м | HK\$M |
| | |
| | |
| 1,766 | 1,853 |
| 2,489 | 2,110 |
| 40 | 44 |
| | |
| 434 | 382 |
| 1,379 | 1,258 |
| 37 | 36 |
| | |
| (123) | (11) |
| 1,552 | 1,427 |
| (272) | (156) |
| 8 | 6 |
| (166) | (119) |
| (25) | (6) |
| | 1,766 2,489 40 434 1,379 37 (123) 1,552 (272) 8 (166) |

4. Taxation

| | 2006 | 2005 |
|---|------------|-------|
| | нк\$м | HK\$M |
| Current tax expenses | | |
| - Hong Kong profits tax | 61 | 61 |
| - Overseas tax | 362 | 327 |
| - Under/(over) provisions for prior years | 162 | (72) |
| Deferred tax | | |
| - Origination and reversal of temporary differences | 197 | 184 |
| | 782 | 500 |
| | | |

Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profits for the year. Overseas tax is calculated at rates of tax applicable in countries to which the Group is assessable for tax. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations.

A reconciliation between tax charge and accounting profit at applicable tax rates is as follows:

| | ī | 006 (\$M | 2005 HK\$M |
|--|---|-------------|---------------|
| Consolidated profit before tax | | 054 | 3,968 |
| Notional tax calculated at Hong Kong profits tax rate of 17.5% (2005: 17.5%) | (| 884) | (694) |
| Expenses not deductible for tax purposes | Ċ | 200) | (184) |
| Tax provisions (under)/over provided in prior years | Ċ | 162) | 72 |
| Effect of different tax rates in overseas jurisdictions | | 292 | 294 |
| Tax losses recognised/(unused tax losses not recognised) | 1 | 34 | (97) |
| Income not subject to tax | - | 138 | 109 |
| Tax charge | (| 782) | (500) |

Further information on deferred tax is shown in note 15 to the accounts in the 2006 annual report.

5. Dividends

| | 2006 | 2005 |
|--|-------|-------|
| | HK\$M | HK\$M |
| 2006 interim dividend paid on 3rd October 2006 of HK¢20 per share (2005: | | |
| HK¢20 per share) | 786 | 676 |
| 2006 special dividend paid on 20th November 2006 of HK¢32 per share | 1,259 | - |
| 2006 final dividend proposed on 7th March 2007 of HK¢32 per share | | |
| (2005: HK¢28 per share) | 1,259 | 947 |
| | 3,304 | 1,623 |
| | | |

We recommend the payment of a final dividend of HK¢32 per share for the year ended 31st December 2006. Together with the interim dividend of HK¢20 per share paid on 3rd October 2006 and the special interim dividend of HK¢32 per share paid on 20th November 2006, this makes a total dividend for the year of HK¢84 per share. This represents a total distribution for the year of HK\$3,304 million. Subject to shareholders' approval of the final dividend at the Annual General Meeting on 9th May 2007, payment of the final dividend will be made on 1st June 2007 to shareholders registered at the close of business on the record date, 9th May 2007.

The register of members will be closed from 4th May 2007 to 9th May 2007, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 3rd May 2007.

6. Earnings per share

Basic earnings per share and diluted earnings per share are calculated by dividing the profit attributable to Cathay Pacific shareholders of HK\$4,088 million (2005: HK\$3,298 million) by the daily weighted average number of shares in issue throughout the year of 3,526 million (2005: 3,377 million) shares and 3,533 million (2005: 3,386 million) shares respectively with the latter adjusted for the effects of the share options.

| • | 2006 | 2005 |
|--|---------|---------|
| | Million | Million |
| Weighted average number of ordinary shares used in | | |
| calculating basic earnings per share | 3,526 | 3,377 |
| Deemed issue of ordinary shares for no consideration | 7 | 9 |
| Weighted average number of ordinary shares used in | | |
| calculating diluted earnings per share | 3,533 | 3,386 |

7. Trade and other receivables

| | Group | | Comp | oany |
|-----------------------------------|-------|-------|-------|----------|
| | 2006 | 2005 | 2006 | 2005 |
| | НК\$М | HK\$M | нк\$м | HK\$M |
| Trade debtors | 4,701 | 3,448 | 3,751 | 3,304 |
| Derivative financial assets | 720 | 886 | 707 | 886 |
| Other receivables and prepayments | 3,213 | 2,192 | 1,941 | 1,976 |
| Due from associates | 101 | 12 | 1_ | <u>-</u> |
| | 8,735 | 6,538 | 6,400 | 6,166 |

As at 31st December 2006, derivative financial assets of the Group and the Company accounted for as held for trading amounted to HK\$237 million (2005: HK\$119 million) and HK\$236 million (2005: HK\$119 million) respectively.

| | Group | | Comp | any |
|-----------------------------------|----------------|-------|-------|-------|
| | 2006 | 2005 | 2006 | 2005 |
| | HK\$M | HK\$M | HK\$M | HK\$M |
| Analysis of trade debtors by age: | - - | | | |
| Current | 4,445 | 3,408 | 3,715 | 3,277 |
| One to three months overdue | 241 | 38 | 35 | 26 |
| More than three months overdue | 15 | _2 | 1 | 1 |
| | 4,701 | 3,448 | 3,751 | 3,304 |

The Group normally grants a credit term of 30 days to customers or follows the local industry standard with the debt in certain circumstances being partially protected by bank guarantee or other monetary collateral.

8. Trade and other payable

| | Group | | Com | pany |
|----------------------------------|--------|-------|-------|-------|
| | 2006 | 2005 | 2006 | 2005 |
| | HK\$M | HK\$M | HK\$M | HK\$M |
| Trade creditors | 4,617 | 3,019 | 2,949 | 2,802 |
| Derivative financial liabilities | 756 | 313 | 682 | 313 |
| Other payables | 5,426 | 3,937 | 4,995 | 4,106 |
| Due to associates | . 160 | 211 | 118 | 204 |
| Due to other related companies | 110 | 91 | 109 | 91 |
| Bank overdrafts – unsecured | 29 | 54 | 19 | 49 |
| | 11,098 | 7,625 | 8,872 | 7,565 |

As at 31st December 2006, derivative financial liabilities of the Group and the Company accounted for as held for trading amounted to HK\$371 million (2005: HK\$66 million) and HK\$310 million (2005: HK\$66 million) respectively.

| | Group | | Con | npany | |
|-------------------------------------|--------------|-------|------------------------------|-------|------|
| | 2006 | 2005 | 2006 2005 2006 | 2006 | 2005 |
| | HK\$M | HK\$M | HK\$M | HK\$M | |
| Analysis of trade creditors by age: | - | | | | |
| Current | 3,129 | 2,421 | 2,316 | 2,226 | |
| One to three months overdue | 939 | 463 | 525 | 449 | |
| More than three months overdue | 549 | 135 | 108 | 127 | |
| | 4,617 | 3,019 | 2,949 | 2,802 | |

9. Share capital

During the year under review, the Group did not purchase or redeem any shares in the Company. At 31st December 2006, 3,935,697,572 shares were in issue (31st December 2005: 3,380,632,348 shares).

The Company adopted a share option scheme on 10th March 1999. During the year, 7,019,500 shares were issued under the scheme. Details of the scheme can be found in note 19 to the accounts in the 2006 annual report.

10. Corporate governance

Cathay Pacific Airways is committed to maintaining a high standard of corporate governance and devotes considerable effort to identifying and formalising best practices of corporate governance. The Company has complied throughout the year with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules. The Company has also put in place corporate governance practices to meet most of the recommended best practices in the CG Code.

The 2006 annual result has been reviewed by the Audit Committee. Details of Corporate Governance can be found in the 2006 annual report.

11. Annual report

The 2006 annual report containing all the information required by the Listing Rules of the Stock Exchange will be published on the Stock Exchange's website and the Company's website www.cathaypacific.com by 4th April 2007. It will be sent to shareholders by 11th April 2007.

Operating expenses

Net operating expenses after deduction of Group recoveries of HK\$9,995 million (2005: HK\$6,446 million) and of Cathay Pacific recoveries HK\$9,501 million (2005: HK\$6,529 million) are analysed as follows:

| | Group * | | | Ç | athay Pacific | <u> </u> |
|--|---------------|---------------|--------|---------------|---------------|----------|
| | 2006 HK\$M | 2005 HK\$M | Change | 2006 HK\$M | 2005 HK\$M | Change |
| Staff | 9,950 | 9,025 | +10.2% | 8,553 | 8,132 | +5.2% |
| Inflight service and passenger expenses | 1,987 | 1,783 | +11.4% | 1,899 | 1,783 | +6.5% |
| Landing, parking and route expenses | 6,948 | 5,977 | +16.2% | 6,384 | 5,832 | +9.5% |
| Fuel | 13,333 | 11,640 | +14.5% | 12,641 | 11,400 | +10.9% |
| Aircraft maintenance | 5,330 | 4,527 | +17.7% | 4,882 | 4,459 | +9.5% |
| Aircraft depreciation and operating leases | 5,160 | 4,882 | +5.7% | 4,789 | 4,755 | +0.7% |
| Other depreciation and operating leases | 862 | 790 | +9.1% | 625 | 590 | +5.9% |
| Commissions | 668 | 555 | +20.4% | 622 | 555 | +12.1% |
| Exchange gain | (271) | (156) | +73.7% | (271) | (148) | +83.1% |
| Others | 1,603 | 1,297 | +23.6% | 1,222 | 1,147 | +6.5% |
| Net operating expenses | 45,570 | 40,320 | +13.0% | 41,346 | 38,505 | +7.4% |
| Net finance charges | 465 | 444 | +4.7% | 287 | 361 | -20.5% |
| Total net operating expenses | 46,035 | 40,764 | +12.9% | 41,633 | 38,866 | +7.1% |

^{*} Includes Dragonair's expenses from 1st October 2006.

Group operating expenses rose 12.9% to HK\$46,035 million.

Cathay Pacific

- Staff costs increased due to an increase in the average number of staff with 209 staff being transferred from Dragonair following the integration.
- Inflight service and passenger expenses rose due to an 8.4% increase in passenger numbers.
- Landing, parking and route expenses increased as a result of additional flights.
- Fuel costs increased due to an 18.5% increase in the average into-plane fuel price to US\$86 per barrel
 and a 5.8% increase in consumption to 29 million barrels. Fuel surcharges increased from HK\$3,948
 million to HK\$6,470 million.
- Fuel hedging gains increased by HK\$181 million to HK\$426 million and include unrealised mark to market gains of HK\$158 million (2005: HK\$19 million).
- Aircraft maintenance increased as a result of the fleet expansion.
- Aircraft depreciation and operating leases increased due to the new aircraft deliveries and were partly
 offset by the return of two wet leased freighters.
- Net finance charges decreased due to higher income from investment funds.
- Cathay Pacific's cost per ATK increased from HK\$2.19 to HK\$2.21 due to higher fuel prices.

Assets

- Total assets as at 31st December 2006 were HK\$103,090 million.
- During the year, additions to fixed assets were HK\$5,272 million, comprising HK\$5,075 million for aircraft and related equipment and HK\$197 million for other equipment.

Borrowings and capital

- Borrowings increased by 42.3% to HK\$31,943 million compared with HK\$22,455 million in 2005.
- Borrowings are mainly denominated in US dollars, Hong Kong dollars, Singapore dollars and Euros, and are fully repayable by 2018 with 41% at fixed rates of interest net of derivatives.
- Liquid funds, 81% of which are denominated in US dollars, increased by 16.1% to HK\$15,624 million.
- Net borrowings increased by 80.6% to HK\$16,348 million.
- Funds attributable to Cathay Pacific shareholders increased by 30.3% to HK\$45,554 million.
- Net debt/equity ratio increased from 0.26 times to 0.36 times.

Fleet profile

| | | Number as t Decembe | | | Firm orders Expiry of | | of opera | ating lea | ases | | | | | |
|---------------|-----------|------------------------|-----------|-------------------|-----------------------|------------------|----------|-----------|----------|-----|-----|-----|---------|-------------------|
| Aircraft | - | Le | ased | | | | | | • | | | | | Purchase |
| type | | | | | | | '09 and | | | | | | '12 and | rights |
| | Owned | Finance | Operating | Total | '07 | '08 | beyond | Total | '08 | '09 | '10 | '11 | beyond | <u> </u> |
| Aircraft oper | ated by C | athay Pac | ific: | | | | | | | | | | | |
| A330-300 | 6 | 18 | 3 | 27 | 2 | 3 ^(a) | | 5 | <u> </u> | | | 3 | | |
| A340-300 | 1 | 10 | 4 | 15 | | | | | | | | 4 | | |
| A340-600 | | | 3 | 3 | | | | | 3 | | | | | |
| 747-400 | 18 | | 4 | 22 ^(b) | 2 ^(c) | | | 2 | | | | | 4 | |
| 747-200F | 4 | 3 | | 7 | | | | | | | | | | |
| 747-400F | 2 | 4 | | 6 | | | | | | | | · | | |
| 747-400BCF | 5 | | | 5 ^(d) | 1 | | | 1 | | | | | | |
| 747-400ERF | | | | | | 3 | 3 | 6 | <u> </u> | | | | | |
| 777-200 | 1 | 4 | | 5 | | | | | | | | | | |
| 777-300 | 2 | 10 | | 12 | | | | | <u> </u> | | | | | 75 |
| 777-300ER | | | | | 5 ^(e) | 5 ^(e) | 8 | 18 | | | | | , | 20 ^(f) |
| Total | 39 | 49 | 14 | 102 | 10 | 11 | 11 | 32 | 3 | | | 7 | 4 | 20 |
| Aircraft oper | ated by D | ragonair: | | | | | | | | | | | | |
| A320 | 3 | 2 | 5 | 10 ^(g) | | | | | | 1 | 1 | 3 | | |
| A321 | 2 | | 4 | 6 | | | | | | | 2 | 2 | | |
| A330 | 2 | 3 | 11 | 16 ^(h) | | | | | 1 | 1 | 1 | 2 | 6 | |
| 747-200F | 1 | | | 1 | | | | | | | | | | |
| 747-300SF | 3 | | | 3 | | | | | | | | | | |
| 747-400BCF | 1 | | | 1 | 3 | 1 | | 4 | | | | | | |
| Total | 12 | 5 | 20 | 37 | 3 | 1 | | 4 | 1 | 2 | 4 | 7 | 6 | |
| Aircraft oper | ated by A | HK: | | | | | · | | | | | | | |
| A300-600F | 2 | 6 | | 8 | | _ | • | | r | • | | | - | |

- (a) Aircraft on 7.5 year operating leases.
- (b) One aircraft under reconfiguration.
- (c) Aircraft on 8 and 9 year operating leases.
- (d) Two aircraft under reconfiguration.

- (e) Two aircraft on 10 year operating leases.
- (f) Purchase rights for aircraft delivered by 2017.
- (g) One aircraft leased out to Air China.
- (h) Three aircraft leased out to Air China.

Review of subsidiaries and associates

- Hong Kong Dragon Airlines Limited ("Dragonair") became a wholly owned subsidiary of Cathay Pacific following the completion of the shareholding realignment involving Air China Limited, Cathay Pacific, China National Aviation Company Limited ("CNAC"), CITIC Pacific Limited and Swire Pacific Limited on 28th September 2006. Despite strong turnover, the high price of fuel continued to affect the airline's profitability. Dragonair's profit for three months ended 31st December 2006 amounted to HK\$28 million.
- AHK Air Hong Kong Limited ("AHK") recorded a higher profit in 2006 despite the adverse impact of higher fuel prices. During the year AHK took delivery of two new Airbus A300-600 freighters and further expanded its overnight express cargo network to Nagoya.
- Cathay Pacific Catering Services (H.K.) Limited recorded a satisfactory result in 2006. The performance
 of other inflight catering kitchens in Asia and Canada were also encouraging with higher profits being
 recorded in 2006.
- Hong Kong Aircraft Engineering Company Limited achieved a consolidated profit attributable to its shareholders of HK\$846.8 million, a 37% increase on the previous year. Its second hangar at Hong Kong International Airport was opened in December 2006 and a third hangar is planned to open in early 2009.
 Taikoo (Xiamen) Aircraft Engineering Company Limited is constructing two more hangars in Xiamen – one of which is scheduled to open in mid-2007 and the other in early 2009.



Corporate Responsibility

- Cathay Pacific strives to be a good corporate citizen, adhering to rigorous ethical and professional standards and insisting on high levels of honest, accountability and transparent decision-making in all areas of operations. We endeavour to deliver superior financial returns and to achieve operational excellence in everything we do.
- We have always held a strong belief that we should put something back into the communities in which we operate, and which have given us so much support over the years. We donated 64.7 million shares held in CNAC to charity. The donation, valued at HK\$181 million, helped a total of 70 charitable bodies, including 63 in Hong Kong, six in Mainland China and one Asian-wide body.
- Cathay Pacific is supporting all efforts to reduce fuel wastage and maximise efficiency in its operations.
- The safety and security of our passengers and staff is our highest priority, and our mission is to make Cathay Pacific Airways the safest airline in the world.
- Cathay Pacific and its subsidiaries employ over 25,000 people worldwide. More than 18,600 Cathay Pacific staff are Hong Kong-based, making the Cathay Pacific Group one of Hong Kong's biggest employers. We review our human resource and remuneration policies regularly in the light of local legislation, industry practice, market conditions and the performance of individuals and the Company.
- Our goal is to deliver superior service and value to our customers and to become the world's most admired airline.

The Directors of the Company as at the date of this announcement are:

Executive Directors: Christopher Pratt (Chairman), Robert Atkinson, Philip Chen, Augustus Tang and Tony Tyler; Non-Executive Directors: Martin Cubbon, Henry Fan, Davy Ho, James Hughes-Hallett, Li Jiaxiang, Vernon Moore, Robert Woods, Zhang Lan and Leslie Chang (Alternate Director to Henry Fan); and Independent Non-Executive Directors: Peter Lee, Raymond Or, Jack So and Tung Chee Chen.

By Order of the Board

Cathay Pacific Airways Limited

Christopher Pratt

Chairman

Hong Kong, 7th March 2007

Please refer to the published version of this announcement in The Standard.

Website: www.cathaypacific.com

Media Information

7 March 2007

CATHAY PACIFIC ANNOUNCES 2006 ANNUAL RESULTS

| Results | | 2006 | 2005 | Change |
|--|--------------|--------|--------|---------|
| Turnover | HK\$ million | 60,783 | 50,909 | +19.4% |
| Profit attributable to Cathay Pacific shareholders | HK\$ million | 4,088 | 3,298 | +24.0% |
| Earnings per share | HK cents | 115.9 | 97.7 | +18.6% |
| Dividend per share | HK cents | 84.0 | 48.0 | +75.0%_ |

Cathay Pacific Airways today announced a profit attributable to shareholders of HK\$4,088 million in its 2006 annual results, compared to a profit of HK\$3,298 million the previous year. The 2006 results include a three-month contribution from Dragonair, which became a wholly owned subsidiary of Cathay Pacific on 28 September 2006.

Group turnover again hit new highs, increasing 19.4% to a record HK\$60,783 million. High fuel prices, though they eased a little in the latter part of the year, continued to have a significant impact on the airline in 2006. The fuel bill for the year was HK\$20,214 million – up 29.7% on the previous year – with fuel surcharges only partially offsetting continued high fuel costs. Efforts by the airline to increase productivity and reduce controllable overheads led to a 1.3% fall in unit cost excluding fuel.

The airline carried a record 16.7 million passengers in 2006, up from 15.4 million the previous year. Passenger revenue also hit a new high, rising 10.9% to HK\$33,585 million, while continued strong demand from first and business class passengers helped to push yield up by 1.5% to HK47 cents. Capacity, measured in terms of available seat kilometres, increased by 7.7% as the airline added new aircraft and further expanded its network.

The airline added two more passenger aircraft to its fleet last year, an Airbus A330-300 and a Boeing 777-300, and launched its latest passenger destination with a daily service to Shanghai. The airline added more flights to Adelaide, Bahrain, Dubai, Frankfurt, Riyadh, Rome and Seoul, upgraded three Penang flights a week to a direct service, and added Kota Kinabalu and Phuket as destinations through a code-share arrangement with new subsidiary Dragonair.

Cathay Pacific expanded its freighter network and fleet in 2006, helping it carry a record 1,199,000 tonnes of freight. Cargo revenue also hit a new high, rising 3.4% to HK\$11,980 million. The cargo load factor increased by 1.3% points to 68.3%. However, increased competition and a weakened demand for exports out of Australia, Europe and the United States led to a decrease in cargo yield to HK\$1.69. The new freighter destinations added were Beijing, Chennai, Stockholm and Toronto, while two Boeing 747-400BCFs, Boeing Converted Freighters, swelled the freighter fleet to 18.



Media Information

Cathay Pacific further cemented its status as Hong Kong's home carrier in 2006, with the Dragonair integration and enhanced partnership with Air China giving an added boost to Hong Kong's position as a leading international aviation hub and gateway to Mainland China. The carrier announced an order for six Boeing 747-400ERFs, Extended Range Freighters, for delivery commencing May 2008, and also took up two more options on the Boeing 777-300ER, Extended Range passenger aircraft, to take its total order to 18. These aircraft begin arriving in September this year featuring Cathay Pacific's new three-class long-haul product.

Cathay Pacific Chairman Christopher Pratt said: "Business was strong in 2006, with passenger demand in particular holding up well. However, high fuel prices continued to have an impact, despite easing off a little in the latter part of the year. Last year was a very significant one for Cathay Pacific as it celebrated its 60th anniversary as Hong Kong's home carrier and sealed the deal that brought Dragonair into the Cathay Pacific Group and at the same time enhanced the airline's strategic partnership with Air China. The synergies of that deal will begin to emerge fully in 2007, though we expect to face challenges from ever-increasing competition and high, volatile fuel prices."

FOR FURTHER INFORMATION PLEASE CONTACT:

Carolyn Leung, Corp Comm Mgr, Public Affairs, (852) 2747-5393, 7901-5393 or 6053-6066 Maria Yu, Corp Comm Mgr, Media Relations, (852) 2747-5363, 9156-8431 or 7901-5368

The Cathay Pacific website can be found at www.cathaypacific.com





FI4 SWIRE

CATHAY PACIFIC AIRWAYS LIMITED (Incorporated in Hong Kong with limited liability) (Stock Code: 00293)

2006 Annual Results

| GROUP FINANCIAL STAT | ISTICS | 2006 | 2005 | Change | Passenger services North Asia |
|---|--|---------------------------------|------------------------------|---------------------------------------|--|
| Results Turnover | HK\$ million | 60,783 | 50,909 | +19.4% | The addition of a fifth daily flight to Seoul in January generated a growth in or traffic from Korea. The country remains popular as a leisure destination for Hot travellers. |
| Profit attributable to Cathay Pacific shareholders Earnings per share Dividend per share Profit margin Blance Sheet Funds attributable to | HKS million HK cents HK cents % | 4,088 - 115.9 84.0 8.0 | 3,298 97.7 48.0 7.4 | +24.0% +18.6% +75.0% +0.6%pt | We increased our presence in Mainland China by adding a new daily service to Sha December. A new codeshare arrangement with Dragonair – applying on flights to Beijing, Sl Xiamen and Tokyo in North Asia – was introduced in December, giving customs choice and greater flexibility. We also codeshare with Dragonair on its new service to Busan, Korea's second cire was launched in fautury 2007. |
| Cathay Pacific shareholders Net borrowings | HK\$ million HK\$ million | 45,554 16,348 | 34,968 9,050 | +30.3% +80.6% | Our performance in the Japan market remained steady, with some growth in the outcomists flying to Hong Kong. |
| Shareholders' funds per share Nes debt/equity ratio | HK\$ Times | 11.6 0.36 | 10.3 0.26 | +12.6% +0.1 times | We enjoyed high load factors to Taiwan throughout 2006, although strong competi a negative impact on yield. South West Pacific and South Africa |

OPERATING STATISTICS

| • | | athay Pacific od Dragonair | Cathay Pacific | | Icific | |
|----------------------------|-------------|-------------------------------|----------------|--------|-----------|--|
| | | 2006 | 2006 | 2005 | Change | |
| Available tonne kilometres | | | | | | |
| ("ATK") | Million | 19,684 | 18,866 | 17,751 | +6.3% | |
| Passengers carried | 1000 | 18,097 | 16,728 | 15,438 | +8.4% | |
| Passenger load factor | % | 79.5 | 79.9 | 78.7 | +1.2 % pt | |
| Passenger yield | HK cents | 48.0 | 47.0 | 46.3 | +1.5% | |
| Cargo carried | '000 tonnes | 1,308 | 1,199 | 1,118 | +7.2% | |
| Cargo and mail load factor | * | 68.6 | 68.3 | 67.0 | +1.3%pt | |
| Cargo and mail yield | HKS | 1.70 | 1.69 | 1.75 | -3.4% | |
| Cost per ATK | HKS | 2.23 | 2.21 | 2.19 | +0.9% | |
| Cost per ATK without fuel | HKS | 1.57 | 1.53 | 1.55 | -1.3% | |
| Aircraft utilisation | Hours per d | av 12.5 | 12.8 | 12.6 | +1.6% | |
| On-time performance | % | 85.2 | 85.9 | 86.1 | -0.2%pt | |

* Consolidated operating statistics includes Dragonair's operation from 1st October 2006.

CAPACITY, LOAD FACTOR AND YIELD - Cathay Pacific

| Capacity ASK/ATK (million)* | | | | Load factor (%) | | | |
|-----------------------------|--|---|--|---|--|---|--|
| 2006 | 2005 | Change | 2006 | 5002 | Change | Change | |
| | | | | | | | |
| 13,796 | 13,057 | +5.7% | 72.3 | 70.8 | +1.5%pt | -3.3% | |
| | | | | | | | |
| 14,230 | 14,656 | -2.9% | 80.1 | 74.6 | +5.5%pt | +2.0% | |
| | | | | | | | |
| 18,375 | 17,376 | +5.7% | 76.1 | 75.0 | +1.1%pt | +5.0% | |
| 18,884 | 16,181 | +16.7% | 84.2 | 87.3 | -3.1%pt | -0.2% | |
| 23,833 | 21,496 | +10.9% | 83.5 | 82.7 | +0.8%pt | +5.3% | |
| 89,118 | 82,766 | +7.7% | 79.9 | 78.7 | +1.2%pt | +1.5% | |
| 10,391 | 9,879 | +5.2% | 68.3 | 67.0 | +1.3%pt | -3.4% | |
| | 13,796 14,230 18,375 18,884 23,833 89,118 | 13,796 13,057 14,230 14,656 18,375 17,376, 18,884 16,181 23,833 21,496 89,118 82,766 | 2006 2005 Change 13,796 13,057 +5.7% 14,230 14,656 -2.9% 18,375 17,376 +5.7% 18,884 16,181 +16.7% 23,833 21,496 +10.9% 89,118 82,766 +7.7% | 2006 2005 Change 2006 13,796 13,057 +5.7% 72.3 14,230 14,656 -2.9% 80.1 18,375 17,376 +5.7% 76.1 18,884 16,181 +16.7% 84.2 23,833 21,496 +10.9% 83.5 89,118 82,766 +7.7% 79.9 | 2006 2005 Change 2006 2001 13,796 13,057 +5.7% 72.3 70.8 14,230 14,656 -2.9% 80.1 74.6 18,375 17,376 +5.7% 76.1 75.0 18,884 16,181 +16.7% 48.2 87.3 23,833 21,496 +10.9% 83.5 82.7 89,118 82,766 +7.7% 79.9 78.7 | 2006 2003 Change 2006 2005 Change 13,796 13,057 +5.7% 72.3 70.8 +1.5%pt 14,230 14,656 -2.9% 80.1 74.6 +5.5%pt 18,375 17,376 +5.7% 76.1 75.0 +1.1%pt 18,884 16,181 +16.7% 84.2 87.3 -3.1%pt 23,833 21,496 +10.9% 83.5 82.7 +0.8%pt 89,118 82,766 +7.7% 79.9 78.7 +1.2%pt | |

Capacity is measured in available seat kilometres ("ASK") for passenger services and available tonne kilometres ("ATK") for cargo services.

Passenger services

- North Asia

 The addition of a fifth daily flight to Seoul in January generated a growth in outbound traffic from Korea. The country remains popular as a leisure destination for Hong Kong
- We increased our presence in Mainland China by adding a new daily service to Shanghai in
- We increased our presence in Maintand China by adding a new daily service to Shanghai in December.

 A new codeshare arrangement with Dragonair applying on flights to Beijing, Shanghai, Xiamen and Tokyo in North Asia was introduced in December, giving customers more choice and greater flexibility.

 We also codeshare with Dragonair on its new service to Busan, Korea's second city, which was launched in January 2007.

 Our performance in the Japan market remained steady, with some growth in the number of tourists flying to Hong Kong.

 We enjoyed high load factors to Taiwan throughout 2006, although strong competition had a negative impact on yield.

- South West Pacific and South Africa

 Two new flights a week were added to Adelaide in June, bolstering our presence in South Australia.

 The Auckland service went twice daily for the winter schedule, helping to match seasonal
- demand.

 Closer economic ties between South Africa and Mainland China boosted demand on our Johannesburg service, while strong corporate traffic boosted yield on the route.

- jonamicaourg service, whise strong corporate traine observed when on the route out.
 Outh East Asia and Middle East

 In April, we began three direct flights to Penang each week instead of routing all flights through Kuala Lumpur. The change proved popular with leisure travellers.
 Passenger traific to and from the Philippines was strong throughout the year, with a number of extra flights mounted to Cebu to meet high demand.

 Strong competition continues to impact our Singapore business, though demand remains high and we have seen some yield improvement.

- Europe

 Demand remained high from business travellers on the London route. However increased competition put pressure on the economy class load factor and yield.

 We added three flights to Frankfurt, making it a 10-times-a-week service, and turned Rome into a daily service with two more flights a week.

- North America

 We increased our capacity to North America by 10.9% in 2006. Load factors were not particularly high but yields improved on all routes.

 Demand was strong in the premium cabins to all North American destinations.

 The introduction of new Boeing 777-300RR aircraft from September 2007 will allow more direct services on ultra long haul North American flights with an increased payload.

- argo services
 Two additional Boeing 747-400BCFs, Boeing Converted Freighters, were added to the Beet.
 At the end of 2006 we operated a fleet of seven Boeing 747-200Fs, six Boeing 747-400Fs
 and three Boeing 747-400BCFs.
 The airline will take delivery of three more Boeing 747-400BCFs in 2007 and has exterised
 options to convert two more aircraft for delivery in 2008 and 2009. The airline has options
 on four more conversions.
 In addition, the airline has ordered six Boeing 747-400ERFs for delivery in 2008 and 2009.
 New freighter services were launched to Beijing, Chemial, Stockholm and Toronto, bringing
 the total number of freighter destrinations to 31.
 High fuel prices had a negative effect on the profitability of our older Boeing 747-200F
 freighter fleet. The adverse impact of high fuel prices was only partially offset by fuel
 surcharges.

- surcharges.

 The Centre for Asia Pacific Aviation named Cathay Pacific as its "Cargo Airline of the Year" for having the most impact on the development of the region's air cargo industry.

CHAIRMAN'S LETTER

34 16.17

į

CHAIRMAN'S LETTER

The Cathay Pacific Group recorded a profit attributable to shareholders of HK\$4,088 million for 2006, compared with a profit of HK\$3,298 million the previous year. Turnover increased by 19.4% to a new record of HK\$60,783 million.

Record passenger numbers and freight volumes contributed to the increase in turnover in 2006, which in turn helped us to a 24.0% increase in profit over the previous year. However continuing high fuel prices served to dampen the final result. Prices eased a little in the latter part of the year but our total fuel bill was HK\$20,214 million – up 29.7% on 2005. Fuel surcharges only partially offset the additional cost.

A continuing improvement in productivity coupled with a reduction in controllable costs helped the airline reduce its unit cost excluding fuel by 1.3%.

On the passenger side, the airline's revenue increased by 10.9% to a record HK\$33,585 million as the number of passengers carried rose to 16.7 million for the year. Demand from first and business class passengers was high throughout the year, helping yield to increase by 1.5% to HKc47.0. Additional services on a number of routes contributed to a 7.7% rise in passenger capacity.

The airline set new records for its cargo operation, with the tonnage carried rising by 7.2% to 1,199,000 tonnes and revenue reaching a high of HK\$11,980 million. Capacity rose by 5.2% with four new freighter destinations added during the year—Beijing, Chennai, Stockholm and Toronto—and extra flights to Dallas/Atlanta and Shanghai being mounted. Demand remained high out of Hong Kong and Mainland China throughout the year we were another "Airline of the Year 2006" sowa of landmark year for Cathay Pacific in many ways. The airline received another "Airline of the Year 2006" swavad—from leading industry journal Air Transport World—in February, and then in August took delivery of its 100th aircraft, an Airbus A330-300. Throughout the year we ran a number of events and activities to celebrate our 60th anniversary as Hong Kong's aird

However, the most significant development took place on 28th September when formal approval of a historic shareholding realignment was received and Dragonair joined the Cathay Pacific Group as a wholly owned subsidiary. The integration of the two carriers will bring significant benefits for passengers and the Hong Kong aviation hub. As part of the realignment, Cathay Pacific and Air China increased their cross-shareholdings and began work on further enhancing their partnership in a number of aceas.

We continued to grow the three fleets in the Group in 2006, adding six aircraft at Cathay Pacific and four at Dragonair, while AHK took delivery of two more freighters. In June we confirmed an order for six new Boeing 747-400ERFs, Extended Range Freighters, for the Cathay Pacific fleet which, with their longer range and higher payload, will be key to our success on long haul trunk routes once deliveries commence in May 2008. We also took up two more options on the new Boeing 777-300ER, Extended Range passenger aircraft, taking the total order to 18. These aircraft will begin activing in September 2007.

Our commitment to product and service excellence remains as high as ever and in September we unweited Cathay Pacific's new long haul product that will be rolled our across all three classes of travel over the next two years. The new product will help us retain our leadership in comfort and service.

We expect competition to remain keen in 2007 and the high, volatile fuel price will continue to have a major impact on our business. Our focus in the coming year is to continue our efforts to deliver superior service and to grow our operations profitably and thus further strengthen Hong Kong's position as a global aviation hub. We will work to optimize the significant commercial opportunity provided by our purchase of Dragonair.

3

Christopher Pratt Chairman Hong Kong, 7th March 2007

| Consolidated Profit and | l Loss Account | | MAR |
|--|--|------------------------------|---|
| for the year ended 31st December 200 | · · · · · · · · · · · · · · · · · · · | 2006 Note HK\$M | 20 HKI |
| Terpover | | Note - HKSM * | |
| Turnover Passenger services | 2.00 | 35,155 | 30,2 |
| Cargo services | | 14,251 | 12,8 |
| Catering, recoveries and of | ther services | 11,377 | ₹ 7.78 |
| Total turnover | Later Company Contact | 2 60,781 | Sec. 50.90 |
| Expenses (1) | n - military from | | 59 -41 A |
| F Staff 3 | | (9,950) | (2,0 |
| Inflight service and passen | ger expenses | (2,347) (8,066) | |
| Landing, parking and rout | e expenses | (20.214) | |
| Aircraft maintenance | | (5,330) | 7.54 (14.5) |
| ** Aircraft denreciation and o | perating leases | | A 4 (4,8) |
| Other depreciation and op- | erating leases | (862) | |
| Commissions | · 12-75-74-9-7-9-8 | · | × (5. |
| Others | 4 74 14 41 34 | ;;;- (2,84 5);: | 学 章(2,40 |
| Operating expenses | A TO THE PARTY OF | ;="\s\((\$5,\$65)\) | (46,7 |
| Operating profit, #15, 10 | | 3 - 45,218 | |
| Finance charges | | テンプルで(3(1,818) ^{**} | 77 H (1,60 |
| Finance income | 化核的多种感 | 36-C 2 1 7:1353 5 | 111 |
| Net finance charges | C. 177.40 (197.44) | (465) | Ac. (4 |
| | | 301 % | 2. 2 |
| Profit before tax | 1. 19.91 STARAGE | 54 SK 5 (054 TH | WY 19 |
| Tavation to sala are | Action of the Control of the | A 2 (1782) | Sec. (50 |
| Profit for the year | 3 3 6 6 6 | 4,272 | 4 3.4 |
| n. C. J. M. J. L. 12 1. 14 1. 1. 1 | · 好人的下午,1967年李年度,2018年 | نو تدار وطروب و الأواجاء ع | 7.5. |
| Profit atteibutable to 3 179 | | 4,088 | 3.2 |
| Minority interests | v stefelijalijalijalijalijalijalijalijalijalija | 定 7.184元 | オもくゴ |
| 1 1 1 1/2 1/2 1/2 1/2 1/2 1/2 1/2 1/2 1/ | | 4,272. | |
| Dividends 2000 | * V 320 - At 26-50 - | 25 2945 F 43 12 1 | |
| Interim - paid | くず 三、石 独通学 | 786 | - ' · · · · · · · · · · · · · · · · · · |
| Special - paid | 1. The 1. | ··s··· ~~ 1,259. | E |
| Final - proposed | The state of the s | 1,259 | distriction |
| 1 (124 //19) | | 23,304 | 1,6 |
| · · · · · · · · · · · · · · · · · · · | 1 44 (15) 5 W. | say the Bentilla | and the second |
| Earnings per share 7 . 2 | 7. K - V - L 3 X | That Thirthe | H |
| Basic | | 65 2115.9 | 97 |
| Diluted | | 6 115.7 | 7 1 97 |
| | 10000000000000000000000000000000000000 | HKS' | *." H |
| Shareholders' funds per shar | e or the second | - 11.6 | <u> 10</u> |
| | | 774 - F N | |

| Consolidated Balance Sheet | | NE TEN |
|--|--|---|
| at His December 2006 | | SNI STEEL |
| Note | HKSM | HKIM |
| ASSETS AND LIABILITIES | 484.00 | - 5.7 |
| Non-current assets and liabilities | و د کو | نه أرز |
| Fixed assets | 58,086 | ,50,156 |
| Intangible assets to the state of the state | 757,473 | 7. Z. 260 |
| Investments in associates | 1 3,406 | 1,731 2 |
| | | , , , , , , , , , , , , , , , , , , , |
| | 77,931 | |
| Long term liabilities | (33,956) | |
| Related pledged security deposits) | 8,164 | |
| I Net long-term liabilities 24 of 2 des montrole at 22 and 2 | | (18,892) |
| Retirement benefit obligations Deferred taxation | 建一 (170) で | (72) (6,460) |
| | | |
| | (32,562) | <u>', -'(25,424)</u> ' |
| | *45,369 | 32,176 |
| Current assets and liabilities | | |
| Stock | | 637 |
| Trade and other receivables | 8,735 15,624 7 | 13,459 |
| Liquid funds | 13,024 / | . 20,654 |
| · · · · · · · · · · · · · · · · · · · | | |
| Current portion of long-term liabilities | (7,503) | |
| Related pledged security deposits | | د 1, 286 ئ يتر |
| Net current portion of long-term liabilities | ~ [6,151) . | · (3,563) |
| Trade and other payables Unearned transportation revenue | (11,098). (4,671) | (7,625) |
| Taxation | (2,902) | , _; 10100 16. |
| 7 49 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 | | , (17,579) |
| ************************************** | | 3,075 |
| Net current assets | | |
| Net aisets | 45,706 | 35,251 |
| CAPITAL AND RESERVES | ارو د مستسد د | |
| Share capital | 44,767 | 676 |
| | | 34,968 |
| Funds attributable to Cathay Pacific shareholders Minority interests | 45,554 152 - | 283 |
| Minority interests | | |
| Total equity has been as a second of the sec | 45,706 | 35,251 |
| Language and the second | <u> • • • • • • • • • • • • • • • • • • </u> | |

+ 1

À 1000

1 8

NOTES:

I. Basis of preparation and accounting policies

The accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting
Standards (which include all applicable Hong Kong Accounting Standards, Hong Kong Financial
Reporting Standards and Interpretations) issued by the Hong Kong Intuition, and Accountains. These accounts also comply with the reporting the Listing Kong Companies
Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities
(the "Listing Bules") of the Stock Enchange of Hong Kong Limited (the "Stock Enchange").

2. Turnover
Turnover comprises revenue from transportation services, airline catering, recoveries and other services provided to third parties.

| Primary reporting by geographical segment | 2006 HK\$M | 2003 HKSM |
|---|---------------|--------------|
| Turnover by origin of sale: | | • |
| North Asia | | |
| - Hong Kong and Mainland China | 24,855 | 20,256 |
| - Japan, Korea and Taiwan | 9,757 | 8,432 |
| South West Pacific and South Africa | 4,013 | 3,747 |
| South East Asia and Middle East | 7,019 | 3,870 |
| Europe | 7,016 | 6,150 |
| North America | 8,121 | 6,454 |
| | 60,783 | 50,909 |

Countries included in each region are defined in the 2006 annual report. Geographical and business segment results and segment net assets are not disclosed for the reasons set out in the 2006 annual report. Secondary reporting by business segment

| b) Secondary reporting by obsides segment | 2006 HK\$M | 2005 HKSM |
|--|------------------|------------------|
| Revenue – external sales - Passenger services - Cargo services | 35,155 14,251 | 30,274 12,852 |
| | 49,406 | 43,126 |
| Unallocated revenue — Catering, recoveries and other services | 11,377 | 7,783 |
| | 60,783 | 50,909 |

The Group is engaged in two main business segments; in passenger business and in freight teaffic through the Company and two subsidiaries. Catering services, secuveries and other airline supporting services which supplement the Group's main operating business are included in unallocated everuse.

Analysis of net assets by business segment is not disclosed for the reasons set out in the 2006 annual report.

| Operating profit | 1004 HKSM | 2005 HKSM |
|--|--------------|--------------|
| Operating profit has been arrived at after charging/(crediting): | | |
| Depreciation of fixed assets | 1.766 | 1,853 |
| - Leased | 2,489 | 2,110 |
| - Owned | 40 | 2,110 |
| Amortisation of intangible assets | 70 | |
| Operating lease rentals | 434 | 197 |
| - Land and buildings | 1.379 | 382 1,258 |
| - Aircraft and related equipment | 37 | 36 |
| - Others | 3/ | 30 |
| Operating lease income | (123) | /11 |
| - Aircraft and related equipment | 1.552 | 1,427 |
| Cost of stock expensed | (272) | 156 |
| Exchange differences | 12727 | 1136 |
| Auditors remuneration | (166) | [119 |
| Income from unlisted investments | | |
| Income from listed investments | (25) | 16 |

| . Тахалоп | 2006 HKSM | 2003 HK\$M |
|---|--------------|---------------|
| Current can expenses | 61 | |
| - Hong Kong profits tak | 362 | 61 327 |
| - Overseas tāx | | |
| - Under/(over) provisions for prior years | 162 | (72) |
| Deferred tax | | |
| - Origination and reversal of temporary differences | 197 | 184 |
| | 762 | 500 |

Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profits for the year. Overtean tax is calculated at rates of tax applicable in countries to which the Group is assessable for tax. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negoritations.

setsable for tax. Tax provisions are reviewed to be active and status of negritations.

A reconciliation between tax charge and accounting profit at applicable tax rates is as follows:
2006 2006
1185M Consolidated profit before tax 3,968 consolvanted priorit before Lax

Notional tax casculated at Hong Kong profits tax rate of 17.5% (2005: 17.5%)

Expenses not deductible for tax purposer

Expenses not deductible for tax purposer

Effect of different tax rates an overseas jurisdictions.

Tax losses recognized/(unused tax losses not recognized)

Income not subject to tax. (694) (184) 72 294 (97) 109 (884) (200) (162) 292 34 138 (782) Tax charge (500)

Further information on deferred tax is shown in note 15 to the accounts in the 2006 annual report.

| 5. Dividends | 2006 HK\$M | 2001 HK\$M |
|--|---------------|---------------|
| 2006 interim dividend paid on 3rd October 2006 of HKe20 per share | | |
| (2005: HKc20 per share) | 786 | 676 |
| 2006 special dividend paid on 20th November 2006 of HKe32 per share 2006 final dividend proposed on 7th March 2007 of HKe32 per share | 1,259 | - |
| (2005; HKe28 per share) | 1,259 | 947 |
| | 3,304 | 1.623 |

We recommend the payment of a final dividend of HKe32 per share for the year ended 31st December 2006. Together with the interim dividend of HKe20 per share paid on 3rd October 1006 and the special interim dividend of HKe20 per share paid on 2rd October 2006, this makes a total dividend for the year of HK834 per share. This represents a total dividend for the year of HK834 per share. This represents a total dividend to the year of HK834 per share. This represents a total dividend at the Annual General Meeting on 9th May 2007, payment of the final dividend at the Annual General Meeting on 9th May 2007, payment of the final dividend will be made on 1st June 2007 to that children reprintered as the close of business on the record date, 9th May 2007.

snarenouers registered at the close of obstaces on the record large, history 2007, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the final dividend, all renaffer forms accompanied by the relevant share recribicates must be defined with the Company's share registrary. Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4.30 p.m. on Thursday, 3rd May 2007.

145

というない 大学を

The second of th

en derig Teildere still personer in der

6. Earnings per share Earnings per share Basic earnings per share and diluted earnings per share are calculated by dividing the profit attributable to Cathay Pacific shareholders of HK\$4,088 million (2005: HK\$3,298 million) by the daily weighted average number of shares in issue throughout the year of 3,256 million (2005: 3,377 million) shares and 3,313 million (2005: 3,386 million) shares respectively with the latter adjusted for the effects of the share options.

| The late of the state of the st | 2006 Million | 2005 Million |
|--|-----------------|-----------------|
| Weighted average number of ordinary shares used in calculating basic earnings per share Deemed issue of ordinary shares for no consideration | 3,526 | 3,377 9 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 3,533_ | 3,386 |

7. Trade and other receivables

| Trade and other receivables | Grou | 17 | Comp | any |
|---|-------|-------|-------|-------|
| | 2006 | 2003 | 2006 | 2005 |
| | HK3M | HK\$M | HKSM | HK\$M |
| Trade debtors Derivative financial assets Other receivables and prepayments | 4,701 | 3,448 | 3,751 | 3,304 |
| | 720 | 886 | 707 | 886 |
| | 3,213 | 2,192 | 1,941 | 1,976 |
| Due from associates | 8,735 | 6,538 | 6,400 | 6,166 |

As at 31st December 2006, derivative financial assets of the Group and the Company accounted for as held for trading amounted to HK\$237 million (2005: HK\$119 million) and HK\$236 million

| (2005; HK\$119 mittion) respectively. | Grou | ? | Comp | апу |
|---|--------------------|------------------|------------------|------------------|
| | 2006 HK3M | 2005 HKSM | 2006 HK\$M | 2003 HKSM |
| Analysis of trade debtors by age: Current One to three months overdue More than three months overdue | 4,445 241 15 | 3,408 38 2 | 3,715 35 1 | 3,277 26 1 |
| | 4,701 | 3,448 | 3,751 | 3,304 |

The Group normally grants a credit term of 30 days to customers or follows the local industry standard with the debt in certain circumstances being partially protected by bank guarantee or other monetary collateral.

| trace and other payable | Groo | P | Сомрану | | | |
|----------------------------------|---------------|---------------|--------------|--------------|--|--|
| | 2004 HK\$M | 2005 HK\$M | 1006 HKSM | ZOOS HKSM | | |
| Trade creditors | 4,617 | 3,019 | 2,949 | 2,802 | | |
| Derivative financial liabilities | 756 | 313 | 682 | 313 | | |
| Other payables | 5,426 | 3,937 | 4,995 | 4,106 | | |
| Due to associates | 160 | 211 | 119 | 204 | | |
| Due to other related companies | 110 | 91 | 109 | 91 | | |
| Bank overdrafts - unsecured | 29 | 54 | 19 | 49 | | |
| | 11,098 | 7,625 | 8,872 | 7,565 | | |

As at 31st December 2006, derivative financial liabilities of the Group and the Company accounted for as held for trading amounted to HK\$371 million (2005: HK\$66 million) respectively.

| (2003: F18/300 attition) respectively. | Grow | P | Comp | 417 |
|--|--------------|---------------|---------------|-----------------------|
| · | 2006 HKSM | 2005 HK\$M | 2006 HK\$M | 2005 HK S M |
| Analysis of trade creditors by age: | 3.129 | 2.421 | 2.316 | 2,226 |
| One to three months overdue | 939 | 463 | 525 | 449 |
| More than three months overdue | 549 | 135 | 108 | 127 |
| | 4,617 | 3,019 | 2,949 | 2,802 |

9. Share capital During the year under review, the Group did not purchase or redeem any shares in the Company. At 31st December 2006, 3,935,697,572 shares were in issue (31st December 2005: 3,380,632,348 shares). The Company adopted a share option scheme on 10th March 1999. During the year, 7,019,500 shares were issued under the scheme. Details of the scheme can be found in note 19 to the accounts in the 2006 annual seport.

in the 2008 annual report.

10 Corporate governance
Cathay Pacific Airways is committed to maintaining a high standard of corporate governance and
devoics considerable effort to identifying and formalising best practices of corporate governance.
The Company has complied throughout the year with all the code provisions set out in the Code
on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing
Rules. The Company has also put in place corporate governance practices to meet most of the
recommended best practices in the CG Code.
The 2008 annual result has been reviewed by the Audit Committee. Details of Corporate
Governance can be found in the 2006 annual report.

ではずできるで大利をおからないないないない

静倉

11. Annual Report
The 2006 annual report containing all the information required by the Listing Rules of the Stock
Exchange will be published on the Stock Exchange's website and the Company's website
www.cathaypacific.com by 4th April 2007. It will be sent to shareholders by 1 tih April 2007.

Operating expenses
Net operating expenses after deduction of Group recoveries of HK\$9,995 million (2005: HK\$6,446 million)
and of Carhay Pacific recoveries HK\$9,501 million (2005: HK\$6,529 million) are analysed as follows:

Group

Cathay Pacific

| | G100p | | | Carriay racing | | | |
|---|---------------|--------------|--------|----------------|---------------|--------|--|
| | 2006 HK\$M | 2005 HKSM | Change | 2006 HKSM | 2005 HK\$M | Change | |
| Staff | 9,950 | 9,025 | +10.2% | 8,553 | 8,132 | +5.2% | |
| Inflight service and passenger expenses | 1,987 | 1,783 | +11.4% | 1,899 | 1,783 | +6.5% | |
| Landing, parking and route expenses | 6,948 | 5,977 | +16.2% | 6,384 | 5,832 | +9.5% | |
| Fuel | 13,333 | 11,640 | +14.5% | 12,641 | 11,400 | +10.9% | |
| Aircraft maintenance | 5,330 | 4,527 | +17.7% | 4,882 | 4,459 | +9.5% | |
| Aircraft depreciation and operating leases | 5,160 | 4,882 | +5.7% | 4,789 | 4,755 | +0.7% | |
| Other depreciation and operating leases | 862 | 790 | +9.1% | 625 | 590 | +5.9% | |
| Commissions | 668 | 555 | +20.4% | 622 | 555 | +12.1% | |
| Exchange gain | (271) | (156) | +73.7% | (271) | (148) | +83.1% | |
| Others | 1,603 | 1,297 | +23.6% | 1,222 | 1,147 | +6.5% | |
| Net operating expenses | 45,570 | 40,320 | +13.0% | 41,346 | 38,505 | +7.4% | |
| Net finance charges | 465 | 444 | +4.7% | 287 | 361 | -20.5% | |
| Total act operating expenses | 46,035 | 40,764 | +12.9% | 41,633 | 38,866 | +7.1% | |

The state of the s

to the first terminal of the put

* Includes Dragonair's expenses from 1st October 2006

1

The state of the s

5.00

Group operating expenses rose 12.9% to HK\$46,035 million

And the second section of

A service of the serv

からの後 なみないのうしょ

Cathar Pacific

Staff coast increased due to an increase in the average number of staff with 209 staff being transferred from Dragonair following the integration.

Inflight service and passenger expenses rose due to an 8.4% increase in passenger numbers.

Landing, parking and route expenses increased as a result of additional flights.

Fuel costs increased due to an 18.3% increase in the average into plane fuel price to US\$86 per barrel and a 5.8% increase in consumption to 29 million barrels. Test surchards from HK\$4.26 million to HK\$6.470 million.

Puel hedging gain HK\$13 million (2005: HK\$19 million).

Aircraft maintenance increased as a result of the fleet expansion.

Aircraft depreciation and operating leases increased due to the new aircraft deliveries and were partly offset by the return of two wet leased freighters.

Vet finance charges decreased due to higher income from investment funds.

Cathary Pacific's cost per ATK increased from HK\$2.19 to HK\$2.21 due to higher fuel prices.

Assets

Assets

Total assets as at 31st December 2006 were HK\$103,090 million.

During the year, additions to fixed assets were HK\$5,272 million, comprising HK\$5,075 million for aircraft and related equipment and HK\$197 million for other equipment.

- for aircraft and related equipment and Fix.817, minior to control of the Section of the Section

| | 4. | Number i Decrub | | | | | , i | | , | | | | |
|-------------------|-----------|--------------------|---------------|-------|------------|-------|-------------------|-------|-----|-------|---------|-------------------|--|
| | | ٠, ٦ | resed | 1 . | | ina o | rders | l . | Exp | مج جن | operate | ng brotes | 1. |
| Aucrali type | Owned | Finance | Operating | Total | 107 | *06 | 199 end berond | Total | -01 | 702 | 10 't1 | '12 mpf beyond | Percha |
| Aircraft operated | by Cath | sy Pacif | c: , | · | | | | -6 | | | -: | | |
| A 3 10 - 300 | 6 | 11 | , , | 27 - | 2 | J#1 | | 5 | i | 7 | 3 | | |
| A 140-300 | .17.1 | 10 | 4 | - 15 | | | a al about | | | | 4 | | - |
| A340-600 | | | j | 3 ' | | | | 7.7 | 3 | à., | | | |
| 747-400 | 18 | | 4 | 22~ | 2₩ | | | 2 | | | . , | 4 | |
| 747-200F | -4 |) | | 1.5 | Ţ | • .*. | | F | | | , | | |
| 747-400F | 2.7 | 4 | | 6 | П | - 6 | | | | | • | 1 | |
| 747-400BCF | . 5 | · 5 | <i>j</i> . | 514 | 1 | - | . : | T | | | 11 | | |
| 747-400ERF | | - 4 | | 1 | 1 | - 3 | .) | 6. | | • | - : | | |
| 777-200 | .1. | • 4 | | -5 | 1 | - | | - | | - | | | |
| 777-300 | 2 - | 10 | | 12 | ī - | | | | ŀ | | | • | |
| 777-300ER | | , | | - :: | 3= | 54 | 5 | 18 | | | | | , 20° |
| Total S G | - 39 - | 49 | . 14 | 102 | 10 | 11 | . 11 | 32 | 3. | | 7 | | 20 |
| Aireraft operate | t by Drag | oneiri | | | | | | | ٠. | ٠ | | | |
| A 320 | 1,3 % | 2 | 5 | 104 | Ι | | | | | 7 | 1 3 | | |
| A321 | ž | - | 4 | 6 | Т | | | | | | 2 2 | | i . |
| A330 . | 2 |) | 11 | 16** | $I \equiv$ | | | | - | 1 | 1 2 | 6 | |
| 747-200F | 1 | 7. | | 17 | - | | | | | | | | <u>. </u> |
| 747-300SE | 3 | | | 3 | F | | | I | | | | | |
| 747-400BCF | 1 | | | 匸 | 3 | ī | | 4 | | | | | 1 |
| Total | 52 | . 1 | 20 | 37 | 3 | ı | | 1 | 1 | 2 . | 4 7 | | 1 |

A300-600F 2 6
(a) Aircraft on 7.3 year operating leases.
(b) One aircraft under reconfiguration.
(c) Aircraft on 8 and 9 year operating leases.
(d) Two aircraft under reconfiguration.

(e) Two discrets on 10 year operating leaves.
(f) Parchase rights for asserts delivered by 2017.
(g) One asserts leaved out to Air China.
(h) Three asserts leaved out to Air China.

Review of subsidiaries and associates

Hong Kong Dragon Afrines Limited ("Dragonair") became a wholly owned subsidiary of Cathay Pacific (China Haines Limited ("Dragonair") became a wholly owned subsidiary of Cathay Pacific (Inical Advance Company Limited ("ChAC"), CITTO Pacific Limited and Swire Pacific Limited on 28th September 2006. Despite strong turnover, the high price of Isal control to a fifter the artifled profitability. Dragonair's profit for three months ended 31st December 2006 at a fifter the artifled profitability. Dragonair's profit for three months ended 31st December 2006 at AHK Air Hong Kong Limited ("AHK") recorded a higher profit in 2006 despite the adverse impact of higher folle prices. Daring the year AHK look delivery of two new Airbust a 300-600 freighters and further expanded its overnight express cargo network to Nagoya.

Cathay Pacific Catering Services (HK. I) Limited recorded a satisfactory result in 2006. The performance of other inflight catering kitchens in Asia and Canada were also encouraging with higher profits being recorded in 2006.

Hong Kong Aircraft Engineering Company Limited achieved a consolidated profit attributable to its starzbolders of HK\$84-86 million, 3 17% increase on the previous year. Its second hangar at Hong Kong International Airport was opened in December 2006 and a third hangar it planned to open in early 2009. Talkoo (Xiamen) Aircraft Engineering Company Limited is constructing two more nearly 2009.

Corporate Responsibility

hangars in Xiamen – one of which is scheduled to open in mid-2007 and the other in early 2009.

Corporate Responsibility:

Cathay Pacific strives to be a good corporace citizen, adhering to rigorous ethical and professional standards and institution on high levels of honest, accountability and transparent decision-making in all areas of operations. We endeasour to deliver superior financial returns and to achieve operational excellence in everything we do.

We have always held a strong belief that we should put something back into the communities in which we operate, and which have given us to much support over the years. We donated 64.7 million shares held in CNAC to charity. The donation, valued at HK\$181 million, helped a total of 70 charitable bodies, including 63 in thong Kong, us in Maniland China and one Asian-wide body.

Cathay Pacific is supporting all efforts to reduce fuel wastage and maximise efficiency in its operations.

Cartay Pacific Airways the salest author in the world.

The safety and recursity of our passengers and staff it our highest priority, and our mission is to make Cartay Pacific Airways the salest author in the world.

Cartay Pacific and its subridiaries employ over 25,000 people worldwide. More than 18,600 Cartay Pacific saff as the fine Kong Sabaed, making the Cartay Pacific Group one of Hong Kong's biggest employers. We reverse our human resource and removeration polices regularly in the light of local legislation, natvey pacarice, market conditions and the performance of individuals and the Company.

Our goal is to deliver superior service and value to our customers and to become the world's most admired airline.

The Directors of the Company as at the date of this announcement are: Executive Directors: Christopher Pratt (Chairman), Robert Atkinson, Philip Chen, Augustus Tang and Tony Tyles; Non-Executive Directors: Martin Cobbon, Henry Fan, Davy Ho, James Hughes-Hallert, Li Jizxiang, Vernon Moore, Robert Woodt, Zhang Lan and Leslie Chang (Alternate Director to Henry Fan); and Independent Non-Executive Directors: Peter Lee, Raymond Or, Jack So and Tung Chec Chen.

By Order of the Board Cathay Pacific Airways Limited Christopher Pratt Chairman Hong Kong, 7th March 2007

1. 11. 1



Website: www.cathavpacific.com